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April 2, 1999

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

EX PARTE

Ms. Magalie Roman Salas  
Office of the Secretary  
Federal Communications Commission  
The Portals, 445 Twelfth Street, S.W.  
Washington, D.C. 20554

Re: SBC Communications Inc. and Ameritech Corporation  
(CC Dkt. No. 98-141) and GTE Corporation and Bell  
Atlantic Corporation (CC Dkt. No. 98-184)/

Dear Ms. Salas:

Sprint Communications Company L.P., by its attorneys, submits the enclosed paper entitled "An Empirical Analysis of the Footprint Effects of Mergers Between Large ILECs" in response to numerous ex parte presentations and statements made during the Commission's February 5, 1999 "Roundtable on the Economics of Mergers between Large ILECs." This paper was prepared by John Hayes, Jith Jayaratne, and Michael Katz and discusses empirical evidence supporting the "big footprint" theory. The paper confirms that the proposed SBC-Ameritech and Bell Atlantic-GTE mergers will harm competition in local exchange, interexchange, and combined-services markets due to the effects of the big footprint.

Two legal memoranda are also attached in support of the footprint effects analysis: (1) "LEC-Cellular Interconnection: Historical Analysis" and (2) "Post-merger Examples of the Spread of Degraded Practices in the Acquired BOC's Territory and Worsening Conditions in the Acquiring BOC's Territory." The first memorandum examines the history of substantial delays and other difficulties in independent cellular carriers' efforts to interconnect to local exchange carriers. As the Commission is aware, this issue has been the subject of recent discussion in the above-referenced merger proceedings, both at the FCC's "Roundtable on the Economics of Mergers between Large ILECs"<sup>1</sup> and in the declaration of Robert W. Crandall and J. Gregory Sidak submitted in the FCC's GTE Corporation

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<sup>1</sup> See Round Table on the Economics of Mergers between Large ILECs, CC Dkt. No. 98-141, Transcript at 130 (Feb. 5, 1999) (statement of Robert Crandall, Brookings Institute).

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and Bell Atlantic Corporation merger proceeding.<sup>2</sup> This paper demonstrates that the merger proponents profoundly misapprehend the LEC-cellular interconnection history. The subject of this paper is limited to the controversies that surrounded physical interconnection. The controversies surrounding prices LECs charged for interconnection persisted well beyond the resolution of the physical interconnection problems.<sup>3</sup>

The second memorandum offers anecdotal evidence of the anticompetitive effects of the SBC/Pacific Telesis and Bell Atlantic/NYNEX mergers, as demonstrated by comparisons of pre-merger and post-merger practices. These anecdotes compare both the *acquired* BOCs' business practices pre-merger to their practices post-merger as well the *acquiring* BOCs' business practices pre- and post-merger. As expected, not only do the post-merger comparisons reveal a spread of degraded practices from the acquiring BOC to the acquired BOC, but they also demonstrate, as predicted by the big footprint analysis, a worsening of conditions in the acquiring BOCs' existing territories.

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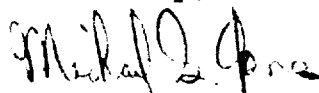
<sup>2</sup> See Declaration of Robert W. Crandall and J. Gregory Sidak ¶ 31, submitted as an attachment to the Joint Reply of Bell Atlantic Corp. and GTE Corp. to Petition to Deny and Comments, in GTE Corp. and Bell Atlantic Corp., For Consent to Transfer of Control, CC Dkt. No. 98-184 (filed Dec. 23, 1998) ("We know of no evidence that ILECs have attempted to degrade the wireline interconnection of their local wireless competitors. Nor are we aware that the ILECs have been able to gain a competitive advantage over their unintegrated wireless rivals.").

<sup>3</sup> See, e.g., Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Dkt. Nos. 96-98 and 95-185, First Report and Order, 11 FCC Rcd. 15499 (1996); Interconnection Between Local Exchange Carriers and Commercial Mobile Service Providers; Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Service Providers, CC Dkt. Nos. 95-185, Notice of Proposed Rulemaking, 11 FCC Rcd. 5020 (1996). We would be happy to prepare a separate submission on the subject of interconnection or settlement charges if the Commission would find that useful, or to address any of the matters discussed in this memorandum at greater length.

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We are filing the original and one copy of this letter, in accordance with the Commission's rules. Please let me know if you have any questions. I can be reached at 202-429-4787.

Sincerely,

  
Michael Jones

Enclosures

cc: Lawrence Strickling  
Carol Matthey  
To-Quyen Truong  
Michael Kende  
Radhika Karmarkar  
William Dever  
Janice Myles